



FEDERAL RESERVE  
BANK OF BOSTON™

# Small Business Credit Survey

Federal Reserve Bank of Boston

<http://www.bostonfed.org/commdev/data-resources/small-business-credit-survey/index.htm>

[bostonfed.org](http://www.bostonfed.org)

## Background

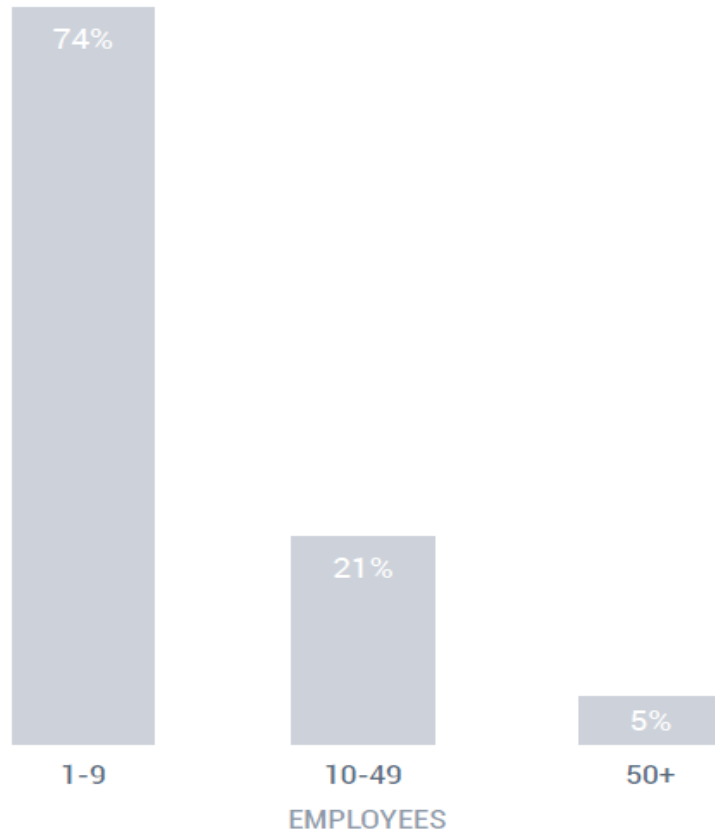
- ▶ Federal Reserve policymakers have been interested in understanding the impact of the recession and resulting recovery on small businesses
- ▶ The Boston Fed joined the effort in 2015, surveying businesses in Connecticut and Massachusetts
- ▶ We have recruited small business respondents by engaging local, regional, and statewide business organizations
- ▶ 23 percent of Massachusetts responses have come from the Working Cities

## Methodology

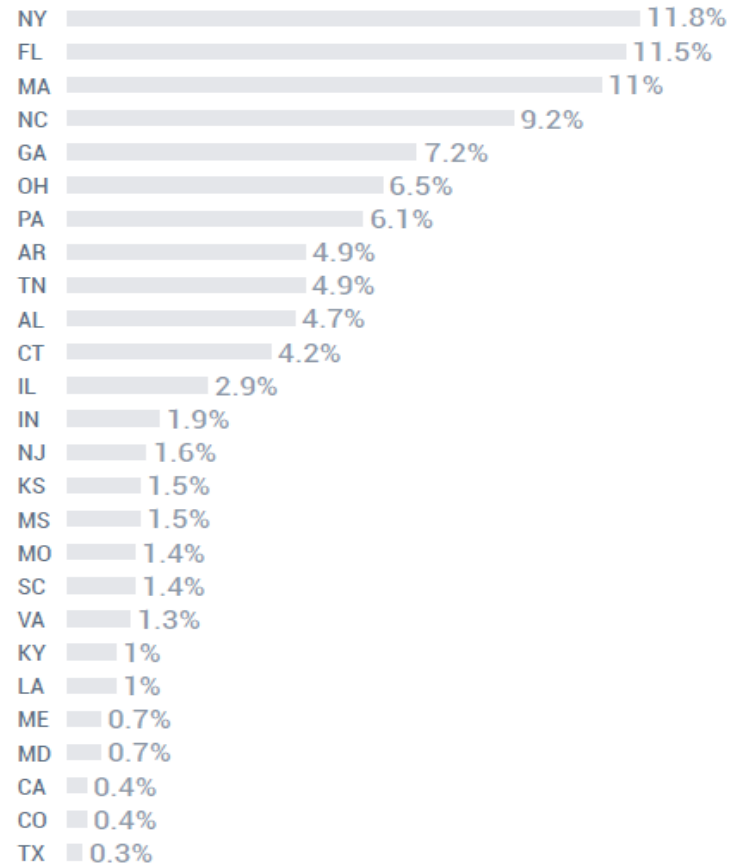
- ▶ The SBCS is conducted annually in the fall
  - ▶ 7 Reserve Banks participated in 2015
- ▶ The survey uses a convenience sample and runs for approximately 6-8 weeks
- ▶ The survey core questions cover the following topics: performance indicators, financing and debt, reasons for seeking financing and sources of advice, applications, credit application outcomes, financing experience of micro firms, financing experience of growth firms, and online sources of financing

# Respondent Demographics

**NUMBER OF EMPLOYEES** (% of employer firms) N=3459



**STATE DISTRIBUTION** (% of employer firms) N=3459



# Growth Status of Respondent Firms

**GROWING FIRMS** (% of employer firms)

N=3296



## Defined as:

- Increasing revenues<sup>1</sup>
- Increasing employees<sup>1</sup>
- Plan to increase or maintain number of employees<sup>2</sup>

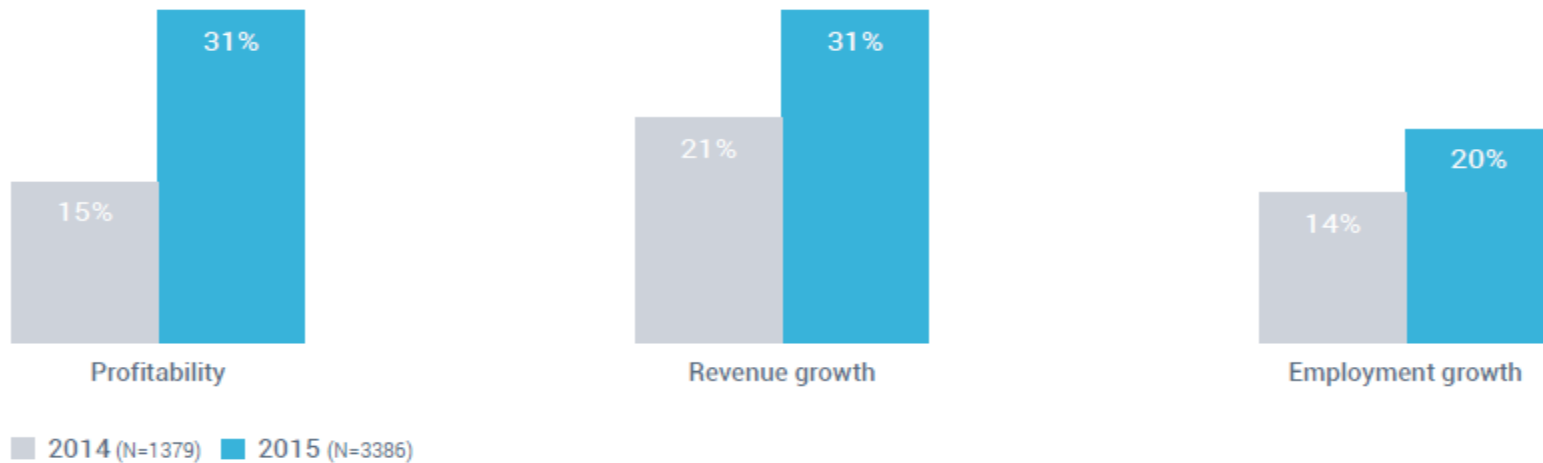
## Growing Firms

Growing small businesses play an important role in local economies. Understanding their challenges, credit needs, and credit experiences is important for their continued vitality.

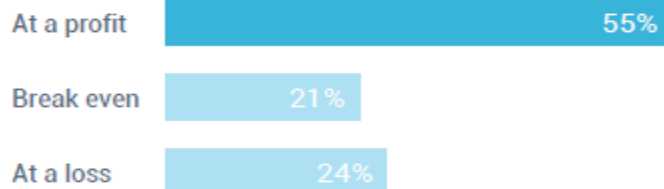
<sup>1</sup> Last 12 months.  
<sup>2</sup> Next 12 months.

# Business Performance Improved

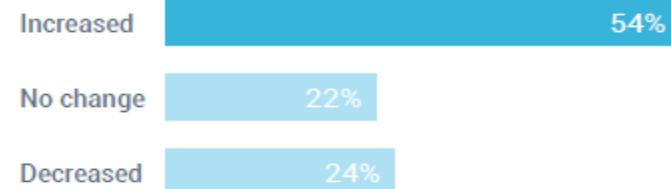
EMPLOYER FIRM PERFORMANCE INDEX,<sup>1</sup> 2014 Survey and 2015 Survey (% of employer firms)



**PROFITABILITY, End of 2014** N=3354  
(% of employer firms)



**REVENUE CHANGE, Past 12 Months<sup>2</sup>** N=3375  
(% of employer firms)

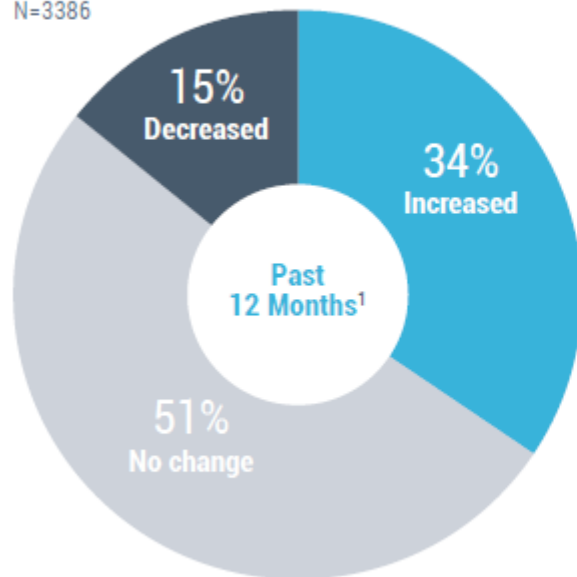


<sup>1</sup> For revenue and employment growth, the index is the share reporting positive growth minus the share reporting negative growth. For profitability, it's the share profitable minus the share not-profitable.  
<sup>2</sup> Approximately Q3 2014 through Q3 2015.

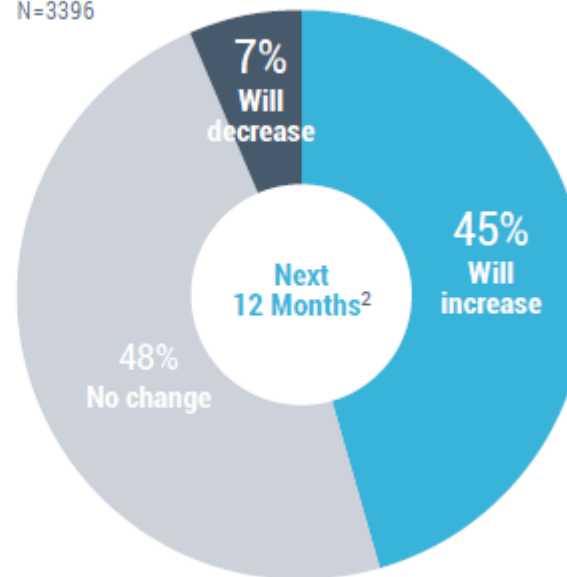
# Employment Picture

## CHANGE IN EMPLOYMENT (% of employer firms)

N=3386



N=3396

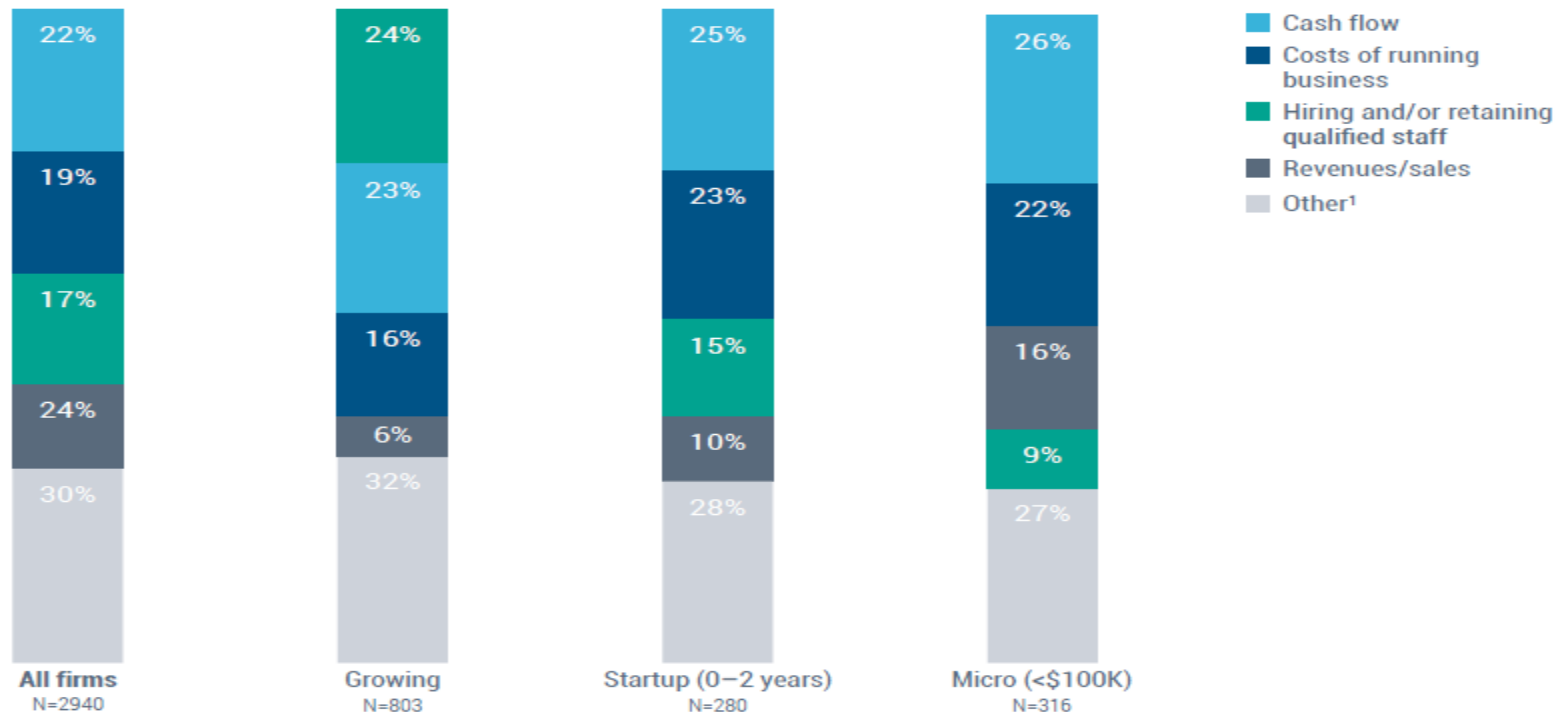


**74%** of employer firms reported having less than 10 employees.

**45%** of employer firms plan to add jobs in the next 12 months.

# Top Challenges Faced by Small Business

**TOP BUSINESS CHALLENGE BY TYPE OF FIRM, Past 12 Months** (% of employer firms)  
*In order of importance*

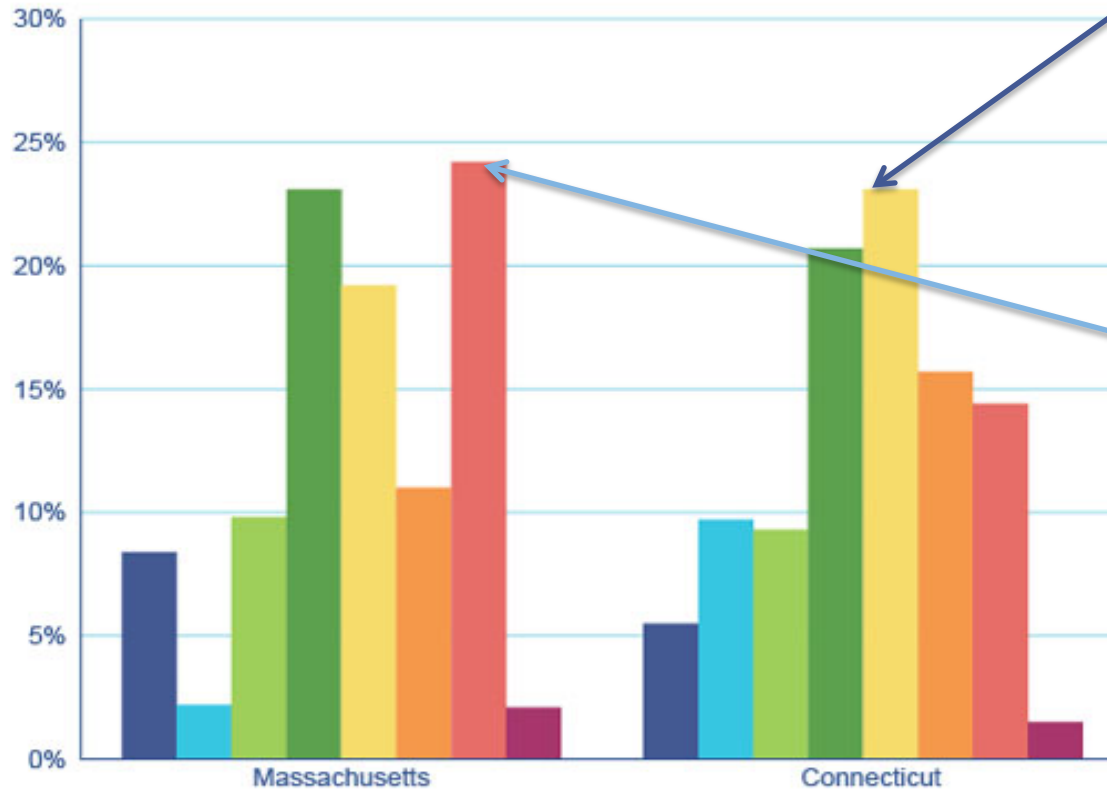


24% of growing firms reported that hiring and/or retaining staff is their top challenge to doing business.



# Key MA Difference – Hiring & Retaining Qualified Staff

## Top Business Challenge



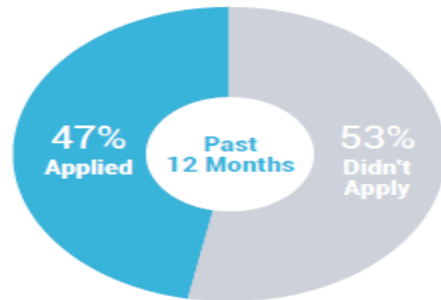
CT respondents identifies costs of running business as top challenge

MA respondents identifies hiring and/or retaining qualified staff as top challenge

- Government regulations
- Taxes
- Credit availability
- Cash flow
- Costs of running business
- Revenues/sales
- Hiring and/or retaining qualified staff
- Other

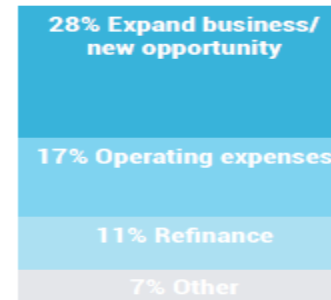
# Demand for Financing

## DEMAND FOR FINANCING



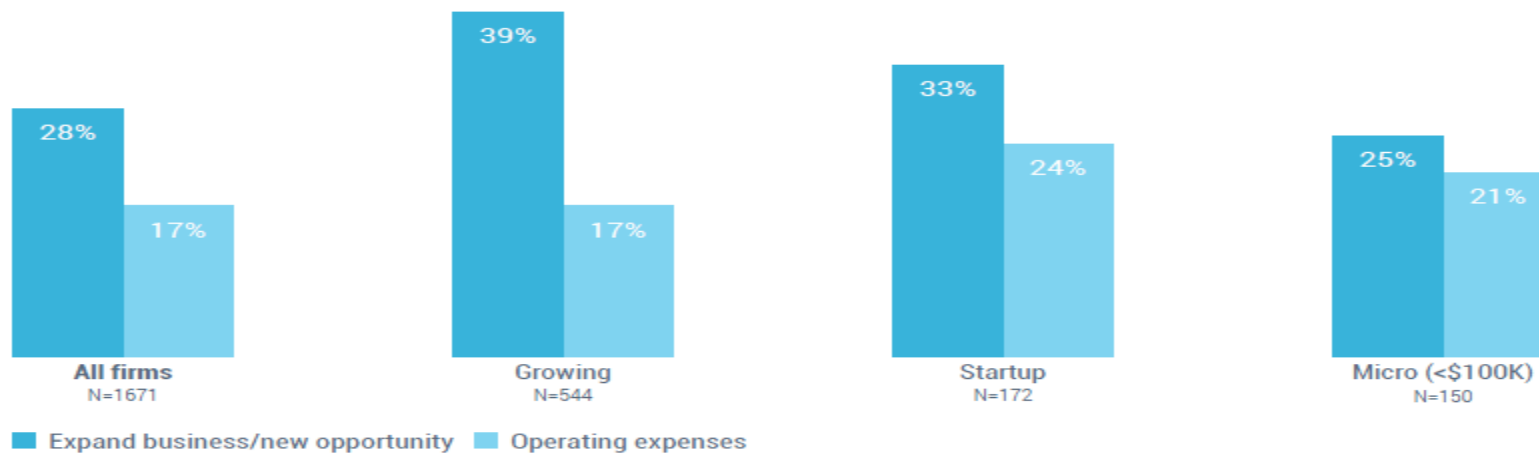
## REASONS FOR APPLYING<sup>1</sup> (% of employer firms)

N=3454



**28%** of employer firms were borrowing to expand their business or seek a new opportunity.

## TOP REASONS FOR SEEKING FINANCING (% of employer firms)

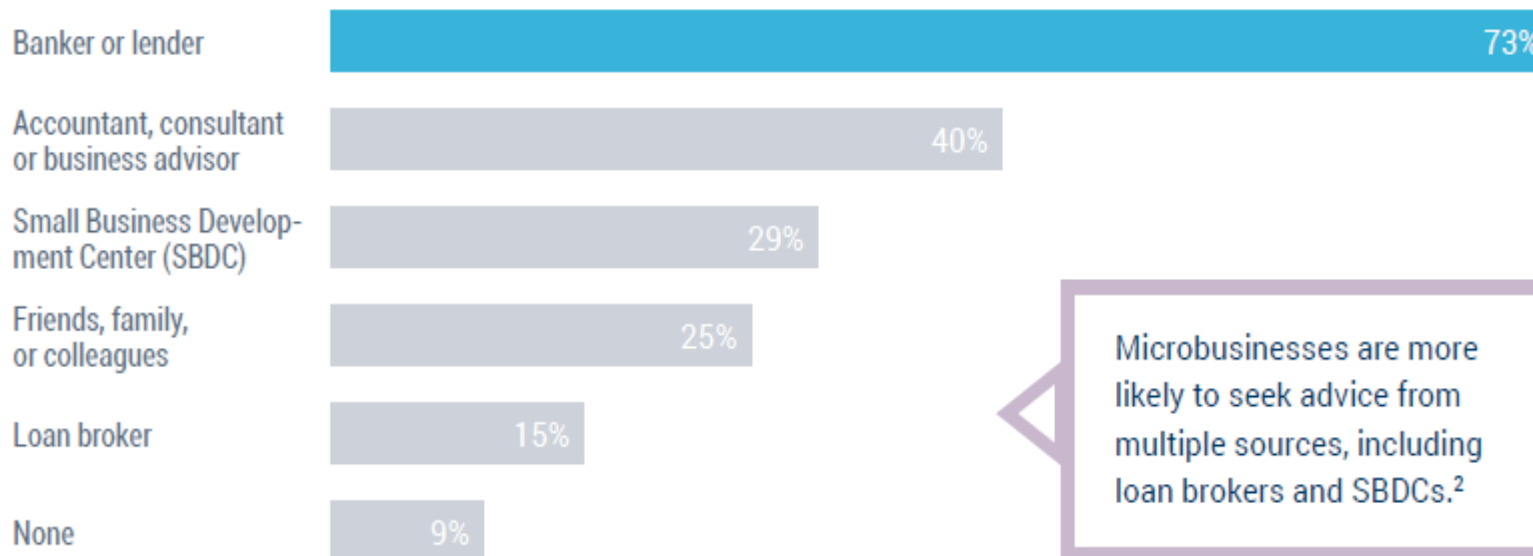


# Financing Advice

**73%** of applicants asked lenders for financing advice.

TOP SOURCE(S)<sup>1</sup> OF FINANCING ADVICE (% of applicants)

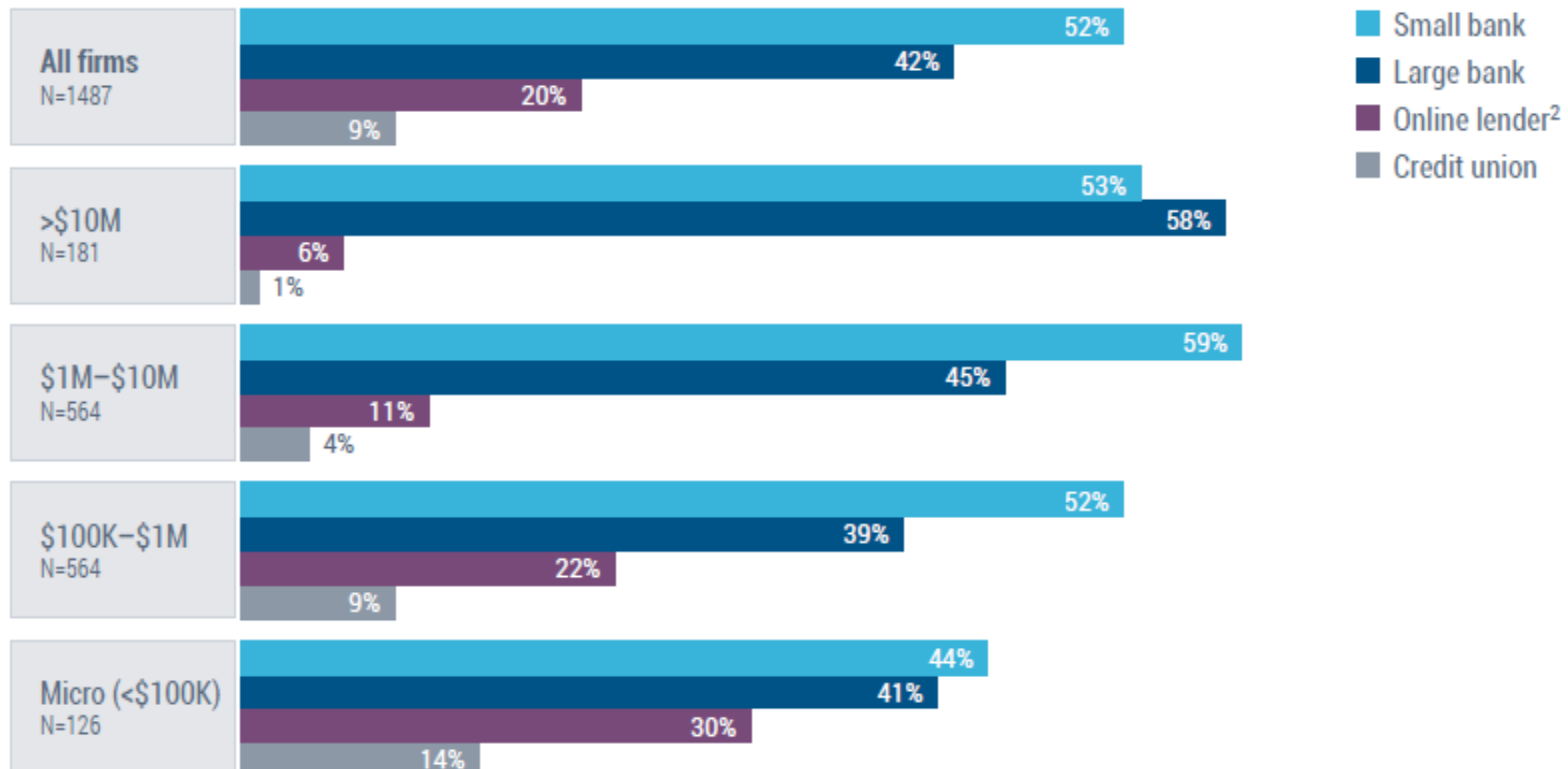
N=1762



# Credit Outcomes

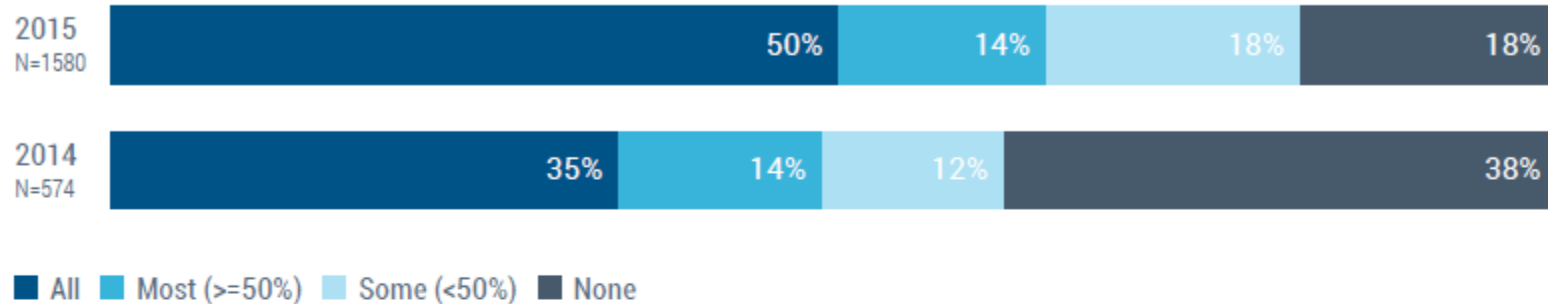
Banks are the dominant credit source overall, but online lending is a noteworthy source for firms with less than \$1 million in revenues.

CREDIT SOURCES<sup>1</sup> APPLIED TO BY REVENUE SIZE OF FIRM (% of loan/loc applicants)

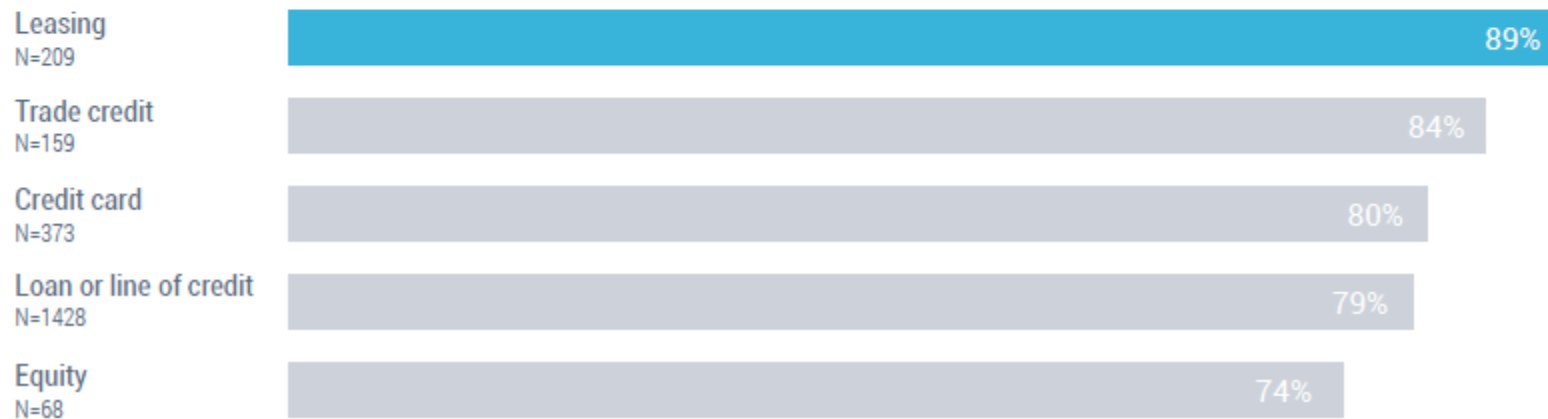


## Credit Outcomes (cont'd)

**TOTAL FINANCING RECEIVED, 2015 Survey versus 2014 Survey** (% of applicants)<sup>1</sup>



**APPROVAL RATE BY FINANCIAL PRODUCT, 2015 Survey** (% of applicants receiving at least some financing)



# Credit Outcomes (cont'd)

## TOP TWO REASONS FOR DENIAL AND TOP TWO EFFECTS OF DENIAL

TOP TWO REASONS				
	All firms (N=445)	Growing (N=141)	Startup (N=62)	Micro (<\$100K) (N=48)
1	Insufficient collateral	Insufficient credit history	Other	Insufficient collateral
2	Low credit score	Insufficient collateral	Low credit score	Low credit score

TOP TWO EFFECTS				
	All firms (N=452)	Growing (N=145)	Startup (N=63)	Micro (<\$100K) (N=48)
1	Unable to meet expenses	Delayed expansion	Used personal funds	Unable to meet expenses
2	Delayed expansion	Used personal funds	Unable to meet expenses	Delayed expansion

Growing firms reported that an insufficient credit score was the primary reason they did not receive financing.

Financing shortfalls hampered growing firms' expansion and resulted in use of personal funds.

Startups used personal funds to cover their financing shortfall or were unable to meet their expenses